

[REDACTED]

CERTIFIED MAIL:

[REDACTED]

SEP 14 1992

Dear Applicant:

We have considered your application for recognition of exemption from federal income tax under section 501(c)(6) of the Internal Revenue Code and have determined that you do not qualify for tax exemption under that section. Our reasons for this conclusion and the facts on which it is based are explained below.

The information submitted indicates that you were incorporated on [REDACTED], under the non-profit laws of the State of [REDACTED]. The purposes for which you were formed are "...to engage in the education, employment, publicity, testing and all other endeavors for the benefit of member soccer referees."

In your by-laws your stated purposes are "...to function as a service organization to promote the sport of soccer by providing trained, capable referees to all organizations requesting them; sponsoring training classes for new referees; providing referees an opportunity to advance; conducting rules familiarization clinics for players, coaches and parents; assisting new leagues in organizing; promoting a youth referee program; working with existing leagues to improve and upgrade their programs; and provide other services deemed appropriate to promote soccer."

The activities of your organization consist of providing training to officials, coaches and other interested persons who want to learn more about soccer. The training classes are sponsored and conducted by the United States Soccer Federation (USSF). Your organization also signs clients to contracts and provides them with referees. At present, your organization has [REDACTED] clients and over [REDACTED] referees. Information submitted with your application states that "... members of the organization, the soccer referees, will provide the service to those clients who have contracted with the Association for these officials." Your organization is "... simply designed to provide soccer officials to soccer leagues with the major benefit being to the members." You described your organization as an independent contractor in your referee agreement, not an agent of or joint venturer with the clients.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]				
Date	8-25-92	8-25-92	9/14/92				

[REDACTED]

Your membership consists of certified soccer referees or those who are in training by a recognized soccer referee training organization. Membership requirements include successful completion of training courses in soccer rules and officiating. Your efforts to attract members include offering training and affiliation with recognized soccer associations to assist in advancing refereeing careers. Members receive timely payment for their services as well as administrative functions of the organization. In addition, members receive newsletters and organization updates along with rules and update notices.

Your income is derived from membership dues, and client fees fixed by contract.

Your expenses include, referees's fees, commissioner's fees, telephone, treasurers' expenses, miscellaneous, treasurer's fees, supplies, bank fees, and postage.

Members are charged nine percent (9%) of their fees earned to cover the Association's expenses. That percentage is further broken down to [REDACTED] percent (9%) for the commissioner and [REDACTED] percent (9%) for the Association's expenses.

Two positions, the treasurer and the commissioner, are compensated based on a percentage of the payments made to officials. These two positions are not salaried.

Section 501(c)(6) of the Code provides exemption from federal income tax for business leagues, chambers of commerce, real estate boards, and boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual. Thus, in order for an organization to be exempt under the provisions of the statute, no financial benefit can inure to a shareholder or private individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations states that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Revenue Ruling 61-170, 1961-2 C.B. 112, describes an organization, a nurses association, which maintained an employment register primarily for the employment of its members was not entitled to exemption. Its specific purposes were to provide employment for its members. Its income was derived principally from membership dues, fees and assessments. The organization was primarily engaged in the performance of personal services by operating an employment service principally for the benefits of its members. The association was composed of professional private duty nurses and practical nurses which supported and operated a nurses' registry primarily to afford greater employment opportunities for its members.

[REDACTED]

Your organization is similar to the organization in Rev. Rul. 61-170. You sign clients to contracts and provide them with referees. Your organization is simply designed to provide soccer officials to soccer leagues with the major benefit being to the members.

On the basis of the information submitted, you are primarily engaged in the performance of personal services by operating an employment service principally for the benefit of its members.

An IRC 501(c)(6) organization's primary activity cannot be performing particular services for members.

It is therefore concluded that the primary purpose of your organization is to serve the interests of your members. Since you are serving the private interests of your members you do not qualify as an organization described in section 501(c)(6).

Therefore, you are not entitled to exemption under section 501(c)(6) and are a taxable entity. You are required to file federal income tax returns on Form 1120.

If you do not agree with our determination, you may request consideration of this matter by the office of Regional Director of Appeals. To do this, you should file a written appeal as explained in the enclosed Publication 892. Your appeal should give the facts, law, and any other information to support your position. If you want a hearing, please request it when you file your appeal and you will be contacted to arrange a date. The hearing may be held at the regional office, or if you request, at any mutually convenient district office. If you will be represented by someone who is not one of your principal officers, that person will need to file a power of attorney or tax information authorization with us.

Sincerely yours,

[REDACTED]

District Director

Enclosure: Publication 892